

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Michael Kubayanda, Vice Chairman;
Mark Acton;
Ann C. Fisher; and
Ashley E. Poling

Competitive Product Prices
First-Class Package Service Contract 55 (MC2016-148)
Negotiated Service Agreement

Docket No. CP2016-185

ORDER APPROVING AMENDMENT TWO TO
FIRST-CLASS PACKAGE SERVICE NEGOTIATED SERVICE AGREEMENT

(Issued December 2, 2019)

I. INTRODUCTION

The Postal Service seeks to amend a First-Class Package Service negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendment.

¹ Notice of United States Postal Service of Amendment No. 2 to First-Class Package Service Contract 55, with Portions Filed Under Seal, November 27, 2019 (Notice). The amendment is an attachment to the Notice (Amendment).

In Order No. 3352, the Commission approved the First-Class Package Service Contract 55 negotiated service agreement (Existing Agreement).² On November 27, 2019, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement.

The Postal Service intends for the Amendment to become effective two business days after the date that the Commission completes its review of the Notice. Notice at 1.

II. COMMISSION ANALYSIS

The Commission has reviewed the Notice and the accompanying materials filed under seal.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Existing Agreement is set to expire December 4, 2019.³ The Amendment revises the expiration date of the contract to March 3, 2020. Notice, Attachment A at 1.

² See Docket Nos. MC2016-148 and CP2016-185, Order Adding First-Class Package Service Contract 55 to the Competitive Product List, June 6, 2016 (Order No. 3352). The contract was later amended. See Order Approving Amendment to First-Class Package Service Negotiated Service Agreement, February 1, 2017 (Order No. 3768).

³ See Order No. 3352 at 9 (setting original expiration date as June 7, 2019); USPS Notice of Extension of First-Class Package Service Contract 55, May 30, 2019, at 1 (extending contract to September 5, 2019); USPS Notice of Extension of First-Class Package Service Contract 55, August 23, 2019, at 1 (extending contract to December 4, 2019).

The Amendment does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that the Amendment shall become effective two business days after the date that the Commission completes its review. Notice at 1. Although the Notice was timely filed, the Commission notes that the two-day delay in implementation reduced the amount of time the Commission had to review and approve the Amendment so that the Amendment could take effect prior to the expiration of the Existing Agreement on December 4, 2019. That the Postal Service filed the Notice immediately prior to a federal holiday further reduced the available time for review. Had the Commission not been able to complete its review and issue its order today, the Amendment would not have been effective at extending the Existing Agreement, and would have become moot. The Commission strongly encourages the Postal Service to account for federal holidays and delayed implementation dates when filing amendments to extend Negotiated Service Agreements.

The Existing Agreement, as amended, is set to expire March 3, 2020. Notice, Attachment A at 1. If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

III. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the First-Class Package Service Contract 55 negotiated service agreement, as amended.

2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the revised expiration date, March 3, 2020.

By the Commission.

Darcie S. Tokioka
Acting Secretary